

Message Text

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ACTION ARA-20

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C O N F I D E N T I A L LIMA 1930

E.O. 11652: GDS

TAGS: ENRG, EFIN, ECON, PE

SUBJECT: GOP EXPRESSES CONCERN ABOUT BOP PROSPECTS FOR 1974

REF: LIMA A-51, LIMA 400

1. GENERAL MARCO DEL PONT, THE NEW MINISTER OF ECONOMY AND FINANCE, IN HIS FIRST SUBSTANTIVE PRESS INTERVIEW SINCE ASSUMING HIS POST IN JANUARY, ADMITTED POSSIBILITY THAT PERU MAY HAVE NEGATIVE BOP FOR CY 74. ACCORDING LOCAL PRESS, DURING INTERVIEW MARCH 10, MARCO DEL PONT SAID THAT INCREASED PETROLEUM AND WHEAT PRICES IN PARTICULAR HAVE PUSHED UP PERU'S IMPORT BILL AND SHOULD PRICES CONTINUE AT RECORD LEVELS IT IS "PROBABLE THAT THERE WOULD BE A NEGATIVE GOP IN 1974." MINISTER, HOWEVER, NOTED THAT SITUATION IS NOT CRITICAL, AND THAT PERU IS TAKING PREVENTIVE MEASURES, INCLUDING DIRIVING BAN.

2. THE MINISTER STATED THAT AT PRESENT PERU'S INTERNATIONAL RESERVES ARE AT \$450 MILLION. HE ALSO PREDICTED THAT WHEAT AND OIL PRICES WOULD LEVEL OFF BUT THAT HISTORIC LOW PRICES ARE THING OF PAST. IN REGARD TO TWO-DAY DRIVING BAN, THE MINISTER SAID THAT ALTHOUGH THE BAN HAS PRODUCED SOME SAVINGS, IT IS PREMATURE TO TELL WHETHER THE SYSTEM WILL PRODUCE HOPED-
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FOR RESULTS. IF NOT, THE MINISTER SAID, ADJUSTMENTS WOULD BE

MADE. HE ALSO SAID THAT EVEN THOUGH THERE ARE SAVINGS, PERU WOULD NOT CUT DOWN ON IMPORTS OF CRUDE, BUT RE-EXPORT A PORTION OF THE AMOUNT SAVED THROUGH DRIVING BAN (PRESUMABLY IN FORM OF REFINED PRODUCTS).

3. MARCO DEL PONT'S PUBLIC STATEMENTS ACCURATELY REFLECT SERIOUS CONCERN WHICH WORKING-LEVEL STAFF IN MINISTRY OF ECONOMY AND FINANCE AND CENTRAL BANK HAVE EXPRESSED TO EMBASSY OFFICERS ABOUT '74 BOP PROSPECTS. WHILE IT IS TOO EARLY TO KNOW AMOUNT OF POSSIBLE DEFICIT, SEVERAL INFORMED OFFICIALS HAVE PREDICTED A NEGATIVE BOP.

4. DIRECTLY RELATED TO THIS CONCERN, IS CONTINUING EMPHASIS WHICH GOP IS PLACING ON LEVEL OF ITS RESERVES AS CLEAR SIGN OF ECONOMIC HEALTH FOR PERU. WE UNDERSTAND, IN THIS REGARD, FOR INSTANCE, THAT GOP ACTIVELY CONSIDERING FURTHER \$90 MILLION LOAN FROM WELLS FARGO AND BANK OF AMERICA WHICH WOULD BE USED FOR FOLLOWING PURPOSES: \$15 FOR MAJES IRRIGATION PROJECT; \$40 MILLION FOR ROLLOVER OF LAST YEAR'S WELLS FARGO DEBT FINANCING LOAN; AND \$35 MILLION TO COVER THE REMITTANCES PAID ON FEBRUARY 19 IN CONNECTION WITH THE INTERGOVERNMENTAL AGREEMENT ON INVESTMENT DISPUTES. SHOULD THIS LOAN BE AUTHORIZED, IT WILL MEAN THE GOP HAS BORROWED FROM FOREIGN BANKS TO COVER ALL IMMEDIATE FOREIGN EXCHANGE PAYMENTS RELATED TO GREENE SETTLEMENT.
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